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RD Instruction 1940-I, 1965-A and RD Handbooks 3550. PROCEDURE FOR PREPARATION :

PREPARED BY System generated by loan approval official or designee.

**NUMBER OF COPIES** Original and one copy in those cases with no right to cancel. In right to

cancel cases, sufficient additional copies for each person who has the right to

cancel.

Acknowledgment of receipt signed by applicant(s), or other person entitled to SIGNATURES REQUIRED

cancel, one copy retained by loan origination office.

**DISTRIBUTION OF COPIES** Original and copy to applicant(s), original signed by applicant(s) and returned

to loan origination office, copy retained by applicant(s), copy retained by loan

origination office until executed original returned by applicant(s). (In right to cancel cases, copy to each person that a tile ig

to cancel.)

# **REVERSE OF FORM RD 1940-41**

Itemization of the Amount innanced of S. (21)					
	(21)				
s (22)	Amount given to you directly				
s(23)	Amount paid on your account.				
Amount paid to others on your behalf:					
s(24)	to (public officials) (credit bureau).				
s (25)	to (name of other creditor).				
s(26)	to (Other).				
s(27)	Prepaid finance charge.				
Page 2 - RD 1940-41					

o be used by field offices to inform individuals of the cost and terms of credit. Credit transactions primarily for gricultural, business, or commercial purposes are exempt from disclosure requirements and the use of this form. The Truth in Lending Act requires estimates to be identified by "(e)" adjacent to the entry. If all figures are estimates, "ESTIMATES" may be entered across the top of the form in lieu of identifying each individual figure as an estimate.

## **INSTRUCTIONS FOR PREPARATION**

System generated form.

- (1) Enter applicant's name and mailing address.
- (2) Enter Field Office address.
- (3) Check type of transaction.
- (4) a. Check "RESPA" if this residential mortgage transaction for purchase or construction of a single or two-family dwelling in which the owner will reside. (Note: A transaction for a three to four family dwelling, though subject to RESPA, is exempt from Truth in Lending requirements and therefore, would not require the use of this Form.)
  - b. Check "Right to Cancel" if this is a transaction, i.e. (RH 502 for refinancing or repair, or RH 504 loan) for which a mortgage on the applicant's residence will be taken as security and the transaction is not for purpose, acquisition or initial construction.
- (5) Enter RH 502 or RH 504.
- (6) Enter the date this form is delivered to the applicant.

Enter the annual percentage rate (APR) in numerals. UniFi will calculate APR.

(8) Enter the amount financed. This figure will include those charges which are actually financed with loan funds, such as those authorized Agency regulations which are not already included in an option or contract price. Any of these charges financed with a subsequent loan in connection with an assumption or credit sale will be reflected in the disclosure statement for the subsequent loan.

Loans: The principal loan amount plus any other amounts financed which are <u>not</u> part of the finance

charge. For loans with multiple advances, do not include the interest accrued during the

construction.

Assumptions: The unpaid balance of the original loan. Do not include the amount of any subsequent loan

made in connection with the assumption. The subsequent loan will be disclosed separately.

Credit Sales: The sale price, less any downpayment. Do not include the amount of any subsequent loan made

in connection with the credit sale. The subsequent loan will be disclosed separately.

(9) Enter the total of payments. This is equal to the sum of all principal and interest to be paid, regardless of any subsidy. To determine this amount multiply the amount of each payment (Item 15) by the number of payments (Item 14).

- (10) Enter the total finance charge. Determine total finance charge by subtracting the amount financed from the total payments and adding any charges payable by the applicant/borrower which were imposed by RHS as a condition of the extension of credit (e.g. tax service fee) which are not reflected in the amount financed (see Item 8), except that the following fees, if paid by the borrower from the borrower's funds in connection with a transaction secured by real property are not be included as a finance charge:
- (11) i fees for title examination, abstracts of title, title insurance, surveys,
  - ii fees for preparing deed, mortgages or other legal documents, and
  - iii notary and credit report fees.
  - iv amounts required to be paid into escrow.

Complete items (11) and (12) for credit sales only.

- (11) Enter the amount of downpayment, if any.
- (12) Enter the sale price including any downpayment.
- (13) If the transaction is subject to RESPA, Form RD 440-58, "Estimate of Settlement Costs" will be used.

If the transaction is <u>not</u> subject to RESPA and an itemization is requested, the format on the reverse of the form will be used.

In completing Items (14) and (15) for loans with multiple advances, the following method will be used to compute the estimated amount of interest to accrue during the construction period. Assume that one-half of the principal loan amount accrues interest at the note rate during the entire construction period. Note: For construction loans, two disclosures will be generated. One for construction period and the second for the permanent financing.

Example: Assume that we will make a \$40,000 loan at 13-1/4 percent interest with a 3-month construction period. The construction interest will be added to and amortized with the principal loan amount over the remaining 32 years and 9 months (393 months) of a 33-year promissory note.

### Estimated Construction Interest:

1/2 Loan		Interest				# Months		Estimated
Amount	X	Rate	+	12 Months	X	Construction		Construction Interest
\$20,000	X	1325	+	12	X	3	=	\$663.00

# Total Number of Installment Payments:

# Months		# Months		Total Number of
Term of Promissory Note	-	Construction		Installment Payments
396	-	3	==	393

## Amount of One Installment Payment:

### For Construction to Permanent Loans:

Construction Period: The system will calculate one installment for the construction loan which will consist of the sum of the principal balance, plus the prepaid finance charge, and the interest accrual for one-half of principal during the construction period. This amount will be rolled into the permanent loan.

Permanent Loan: The amount of the monthly installment will be calculated by the system using the interest accrued during the construction period, any prepaid finance charge, the principal balance, the note interest rate, and the remaining term of the loan.

- 1) Enter the total number of installments.
- (15) Enter the amount of one installment payment of principal and interest.
- (16) The system will enter the payment due date as follows: Example:
  - A. When the settlement date is known, enter the closing day, beginning one month from settlement date with the following exception: If the loan is closed on the 28th, 29th, 30th, or 31st of the month, payments will be due the 28th of each month.
  - B. When the settlement date is unknown, the system will enter the estimated closing day, beginning one month from the settlement date with the following exception: If the loan is estimated to close on the 28th, 29th, 30th, 31st of the month, payments will be use the 28th of each month.
  - C. For construction loans, the system will generate two disclosures. The first disclosure will cover the construction period and will indicate the date the construction period will end which is the closing date of the permanent loan. The second disclosure will indicate the closing date of the permanent loan and follow steps examples A or B above.

Complete item (17) only when a mortgage will be taken.

- (17) If this is a purchase transaction check the 1st block. If this transaction is for refinancing, repair or rehabilitation check the second block and enter a brief description of the secured property.

  Example: Your home.
- (18) Insert applicable late charge percentage.
- Delete this entire clause if this is not a RESPA transaction. If a RESPA transaction, check the applicable box. For Single-Family Housing Loan, *ALWAYS* check the 2nd box "may not assume...on the original terms."
- (20) Applicant(s) will sign to acknowledge receipt of the disclosures.

Items 20 through 2, Itemization of Amount Financed, are to be completed only if specifically requested by the applicant in item (13).

- (21) Enter the amount financed (same as item 8). This would include prepaid finance charges such as a tax service fee.
- (22) Enter any amount actually disbursed to borrower.
- (23) Enter any amount refunded to RHS.
- (24) Enter total of charges financed for recording fees, credit bureau fees, etc.
- (25) Enter any amount paid to another creditor.
- (26) Enter any amount paid to others.
- (27) Enter the amount of any prepaid finance charge.